

GENERAL FUND EXPENDITURE AND REVENUE FORECAST ASSUMPTIONS FISCAL YEARS 2014-2015 THROUGH 2018-2019

The primary purpose of this forecast is to present a prospective view of the City's General Fund revenue and expenditure levels during the next five years. It is important to note that as assumptions are replaced by reality in future years, the forecast will fluctuate. As such, this forecast should be used as a management and planning tool and amended annually. It is also important to note that the Court of Common Council is mandated by Charter to adopt a balanced budget. Therefore, any projections indicating a budget deficit will require adjustments before budget adoption. These adjustments will range from reducing expenditures to raising revenues or a combination of both.

Assumptions for Revenue Projections

The General Fund revenue forecast highlights the anticipated revenue trend and outlook for the City of Hartford during a challenging economic time. Federal, state, and local governments are facing adverse economic conditions that have not been encountered in several generations. These challenges will place an economic burden on all sectors of the economy; governments, that provide services to the public, will be stressed to maintain critical services. The property tax base, which is the revenue source that picks-up the shortfall from other underperforming revenue sources, will be strained during a time of economic downturn. The City will be challenged to develop alternative revenue sources to fill the budgetary gap.

Taxes are a major source of revenue. The tax revenue projection for the fiscal year 2014-2015 budget reflects a no mill rate increase. Future year property tax revenue will hopefully increase with a continued improvement in the collection rate, coupled with new property development in the City. Significant increases in the mill rate are not anticipated; the budget forecast continues to reflect an increase in the net grand list for future years.

Licenses and Permits revenues are aligned with the economic state of the City. With new property development expected in the future, the outlook for this revenue category is expected to perform above normal expectations.

Fines, Forfeits and Penalties are expected to remain level. This category is relatively small and is not a major source of revenue.

Revenue from the Use of Money and Property is expected to remain constant for fiscal year 2014-2015. Future year revenue beyond fiscal year 2014-2015 is expected to increase. Interest rates are expected to increase with an improving economy and income from development properties is expected to stabilize.

Intergovernmental Revenue is a major source of revenue to the City. With the current downturn in the national, state, and local economies, the State of Connecticut is experiencing financial stress in its budgetary operations. The City relies heavily on state assistance since a significant portion of tax exempt properties are within the Capital City's boundaries. The City does not foresee a short-term improvement of the State's economy or the expectation of any significant increase in state funding.

Charges for Services for fiscal year 2014-2015 will increase with higher fees and additional fees for various City services. No major increases are expected until a general improvement to the economy is realized.

Reimbursements include amounts payable to the City from grant programs for employee fringe benefits, capital project reimbursements for employee services, and miscellaneous reimbursements from risk management activities. There are no anticipated major changes projected for this revenue category.

Other Revenue includes the sale of development properties and other miscellaneous revenues. The sale of City property will decrease in fiscal year 2014-2015 and subsequent years are expected to remain relatively flat since there are no major properties that are expected to be sold.

Fund Balance is expected to remain constant over the next several years. There are no plans to draw upon fund balance to meet expenditure activity. The City recognizes that the planned use, or the use based upon unfavorable results of budgetary operations, will adversely affect the ability to effectively access the bond market; and impact the interest cost of bond and note issuance.

Assumptions for Expenditure Projections

Municipal

Operating Expense: Operating Departments show a 2.6% projected decrease for FY 13-14 expenditures compared to the FY 12-13 Adopted Budget. In future years operating departments are projected to increase approximately 2.5% in FY 14-15 primarily as a result of wage increases tied to collective bargaining agreements with the various City unions. For FY's 15-16 to 18-19, expense growth is projected to continue at approximately 2.5%, again tied to long term collective bargaining agreements and inflationary increases.

Benefits and Insurances: In the FY 13-14 Budget, benefits and insurances are projected to increase 22.6%. This is primarily the result of significant increases in Health Insurance and Pension Contributions. FY 2014-15 and beyond, benefit expenses are expected to grow between 6.0% in FY 2014-15, then dropping off to approximately 2.5% for the remaining years as it is expected that Pension Contributions will begin to decline and Health Insurance will stabilize at a rate of twice the rate of inflation.

Debt Service: Debt Service is projected to decrease approximately 28.7% in the Fiscal Year 2013-2014 Adopted Budget versus the FY 2012-13 Adopted Budget. This is the result of restructuring over \$100.0 Million in bonds. For FY 2014-15 and beyond, debt service is expected grow moderately as additional capital investments are made to improve City infrastructure and School Construction.

Non-Operating Department Expenses: In the FY 13-14 Budget these expenses are projected to decrease by 0.8% compared to the FY 12-13 Adopted Budget. In the future it is expected that these expenses will be essentially flat on average based primarily on moderate increases in utilities and lower tipping fees. Incorporated within this projection are payments to community activities, payments to government agencies, payments to outside agencies, lease payments, client server technology, fuel, utility, tipping fees, legal expense and settlements.

Education: The City's education contribution to the Hartford Public School System is projected to be essentially flat for the foreseeable future. This estimate is based on the fact that the State of Connecticut is expected to increase education funding directly to the Hartford Public Schools in the form of Alliance Grants. These grants will grow in size by approximately \$4.0 to \$5.0 million per year for five years. As a result, total education spending (general fund, non-school constructional capital and special funds) is projected to grow during the period between FY 13-14 and 18-19.

Library: The City's education contribution to the Hartford Public Library is projected to be essentially flat for the foreseeable future. The City will work with be working with the Hartford Public Library to find ways of provide in-kind services to help defray the Library's future expense increases.

Total Gap Between Revenues and Expenditures



